NAIROBI BUSINESS VENTURES LIMITED

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31ST MARCH 2018

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COMPANY INFORMATION

BOARD OF DIRECTORS	: Mr.Abotula Venkata Satyanarayana Vasu : Mr.Raja Sekhar Srungarapu : Mr.Jayesh Nagrecha : Mr.Saili Malonza : Mr.Kumar Harshad Sheth : Mrs. Alice Mutitu
REGISTERED OFFICE	: Sunu Apartments : Flat No:A-3 : 1st Parklands : P.O. Box 18638 - 00500 : Nairobi, Kenya.
INDEPENDENT AUDITOR	Jessie & Associates, Certified Public Accountants, : Adabu House, : General Mathenge Drive, : P.O. Box 43682 - 00100, : Nairobi, Kenya.
COMPANY SECRETARY	: Lawrence Kibet : Image Registrars Limited : 5th Floor, Barclays Plaza : P.O. Box 9287 - 00100 : Nairobi, Kenya.
LEGAL ADVISORS	: Maina & Maina Company Advocates : 14th Floor, View Park Towers, : P.O. Box 2607 - 00200 : Nairobi, Kenya.
PRINCIPAL BANKERS	: Bank of Baroda (K) Limited : Industrial Area Branch : P.O Box 18269 - 00500 : Nairobi, Kenya.

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
ii) selecting and applying appropriate accounting policies; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31st March 2018 and of its profit/loss and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

Approved by the board of directors on ...5th March........ 2019 and signed on its behalf by:

....
Director

....
Director

The directors submit their report together with the audited financial statements for the year ended 31st March 2018, which disclose the state of affairs of the company.

Principal activities
The Prinicipal activities of the company are that of dealing in footwear.

Results and dividends
The net loss for the year of Shs.76,535,814 (2017: Shs 32,848,016) has been added to accumulated losses. The directors do not recommend declaration of a dividend for the year (2017: Nil).

Directors
The directors who held office during the year and to the date of this report are shown on Page 1

Auditor
The company's auditor, Jessie & Associates who were appointed on 19th December 2018, have expressed their willingness to continue in office in accordance with the Kenyan Companies Act 2015.

By order of the board

....
Director
NAIROBI

Nairobi 5th March **2019**

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Nairobi Business Ventures Limited , set out on pages 7 to 23, which comprise the balance sheet as at 31st March 2018, the profit and loss account, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the matters specified under basis for our opinion paragraph, the accompanying financial statements give a true and fair view of the financial position of Nairobi Ventures Limited as at 31st March 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Institute of Certified Public Accountants Kenya Code of Ethics (ICPAK Code of Ethics) which is consistent with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements. The IESBA Code is consistent with the International Ethics Standard Board for Accountant's Board of Ethics for Professional Accountants (part A and B).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The continuation of the company's activities is dependent on the support of the creditors, continued availability of its banking facilities and the advances from the shareholders of the company. The financial statements have been prepared on the going concern basis which assumes that this support will continue to be obtained. This basis may not be appropriate because, as at 31st March 2018 the company had a shareholders' deficit of KShs. 31,540,228/- as a result of loss in the current year and previous financial year. Should the company be unable to continue trading, adjustments would be required to restate the assets to their realizable values to provide for any further losses which may occur and to reclassify non current assets to current assets and non current liabilities to current liabilities.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with those charged with governance, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters.

Loss of stocks and assets

As described in note 3, the company reported a loss of Kshs.55,069,340 which was as result of the landlords confiscating stock of goods and fixed assets for three branches of the company valued at Kshs. 30,377,394 and Kshs. 24,691,946 respectively, for non payment of rent arrears prior to our appointment as auditors. There were no other suitable audit procedures that we could adopt to verify the accuracy of values of stocks and fixed assets confiscated by the landlords in the absence of third party documentary evidence. We relied on the information and detailed report provided by the directors as our basis for valuation of losses on stocks and fixed assets confiscated. We obtained assurance from the directors that no further liability will arise from the landlords as the value of assets attached were more than the rent arrears.

Report on the Financial Statements(Continued)

Key Audit Matters(Continued)

Inventory Valuation

Included in the financial statements are inventories valued at Kshs. 49,580,744 of which we did not observe the physical stock take, which took place prior to our appointment as auditors. There were no other suitable audit procedures that we could adopt to verify the quantities and values of the stock as presented by the directors. We relied on information and the detailed stock count reports provided by the directors as our basis of valuation of the closing inventories.

Going Concern

The financial statements of the company have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the company's financial statements is appropriate. Management has not identified a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the company. Based on our audit of the financial statements of the company, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the company's ability to continue as a going concern.

Other Information

The directors are responsible for the other information, which comprises the Report of the directors as required by the companies Act. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that if there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the Financial Statements

The directors are responsible for the preparation of financial statement that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Kenyan Companies Act. This responsibility includes designing, implementing and maintaining such internal controls as the directors determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing , as applicable, matters related to going concern and using the going concern basis of accounting unless the director's either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. The directors are responsible for overseeing the company's financial reporting process.

Report on the Financial Statements(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity and business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company's audit. We remain solely responsible for our audit opinion.

We are required to communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of th(

iii) the company's balance sheet and profit and loss account are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Jitendra C. Patel - P/No 043.

Jessie Associates

Jessie & Associates
Certified Public Accountants
P.O. Box 43682 - 00100
Nairobi

Pin No: A000151882 G

5th March
.. 2019

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2018

	Notes	2018 Shs	2017 Shs
Revenue	2	18,153,863	46,800,397
Cost of sales		(7,395,838)	(33,008,799)
Gross profit		10,758,025	13,791,597
Other loss	3	(55,069,340)	-
Administrative expenses		(8,596,099)	(14,083,602)
Other operating expenses		(22,410,171)	(28,106,940)
Operating profit	4	(75,317,585)	(28,398,945)
Finance costs	6	(1,218,229)	(4,449,071)
Loss before tax		(76,535,814)	(32,848,016)
Tax charge	7	-	-
Loss for the year		(76,535,814)	(32,848,016)

BALANCE SHEET AT 31ST MARCH 2018	**Notes**	**2018 Shs**	**2017 Shs**
CAPITAL EMPLOYED			
Share capital	8	23,600,000	23,600,000
Share premium	8	22,400,000	22,400,000
Accumulated losses		(93,342,562)	(16,806,747)
Reserves & Surplus		(47,342,562)	29,193,253
Revaluation of Assets		15,802,334	15,802,334
Shareholders' funds		(31,540,228)	44,995,587
Non-current liabilities			
Borrowings	9	74,882,195	64,882,196
		43,341,967	109,877,783
REPRESENTED BY			
Non-current assets			
Property and equipment	10	7,864,715	33,729,970
Intangible assets	11	7,885,887	8,806,688
		15,750,602	42,536,658
Current assets			
Inventories	12	49,580,744	76,659,120
Trade and other receivables	13	20,505,703	30,617,852
Cash and cash equivalents	14	138,526	(6,099,990)
		70,224,973	101,176,982
Current liabilities			
Trade and other payables	15	26,083,654	17,027,658
Borrowings	9	14,654,328	14,912,573
Current tax payable		1,895,626	1,895,626
		42,633,608	33,835,857
Net current assets		27,591,365	67,341,125
		43,341,967	109,877,783

The financial statements on pages 7 to 23 were approved for issue by the board of directors on ……5/3/…. 2019 and were signed on their behalf by:

…………………………
Director

…………………………
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Ordinary Share capital Shs	Share premium Shs	Accumulated losses Shs	Total Shs
Year ended 31 March 2017				
At start of year	23,600,000	22,400,000	16,041,268	62,041,268
Loss for the year	-	-	(32,848,016)	(32,848,016)
At end of year	23,600,000	22,400,000	(16,806,748)	29,193,252
Year ended 31 March 2018				
At start of year	23,600,000	22,400,000	(16,806,748)	29,193,252
Loss for the year	-		(76,535,814)	(76,535,814)
At end of year	23,600,000	22,400,000	(93,342,562)	(47,342,562)

STATEMENT OF CASH FLOWS

	Notes	2018 Shs	2017 Shs
Operating activities			
Cash used in operations	16	(3,060,547)	(21,034,493)
Interest paid		(377,692)	(3,515,141)
Tax		-	(1,895,626)
Net cash used in operating activities		(3,438,239)	(26,445,262)
Investing activities			
Cash paid for purchase of property and equipment	10	(65,000)	(93,862)
Net cash used in investing activities		(65,000)	(93,862)
Financing activities			
Proceeds from borrowings:			
- Bank loans		10,000,000	(1,586,705)
Cash from share capital introduced		-	5,600,000
Cash from share premium		-	22,400,000
Net cash from financing activities		10,000,000	26,413,295
Increase/(Decrease) in cash and cash equivalents		6,496,761	(125,829)
Movements in cash and cash equivalents			
At start of year		(21,012,563)	(20,886,734)
Increase/(Decrease)		6,496,761	(125,829)
At end of year	14	(14,515,802)	(21,012,563)

NOTES

1. **Significant accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) **Basis of preparation**

The financial statements have been prepared under the historical cost convention, except as indicated 'otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

The annual financial statements contained within this document comply with the requirements of the Kenyan Companies Act. The statement of profit or loss represent the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Going concern

The financial performance of the company is set out in the Director's report and in the statement of profit or loss and the other comprehensive income. The financial position of the company is set out in the statement of financial position. Disclosures in respect of risk management are set out in note 17 to the financial statements.

In considering the going concern basis used for preparing the financial statements, the directors have considered financial position and performance of the company in the latest period presented as well as its prospects for a period of not less than 12 months from the date of issue of the information memorandum. For the year ended to 31 Mar 2018, the company generated a loss of Shs. 76.5 million, used cash of Shs. 3.4 million in operations and had a net current asset position of Shs. 27.5 million.

Based on the financial performance and position of the company detailed above and its risk management policies, the directors are of the opinion that the company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

New and amended standards adopted by the company during the year ended 31 March 2018

The company has applied the amendments to IAS 1 on 'Presentation of Items of Other Comprehensive Income'. Under the amendments to IAS 1, the 'statement of comprehensive income' requires separate analysis of items that will not be subsequently reclassified to profit or loss and those that will be subsequently reclassified, including the related income tax effects. The application of the amendments to IAS 1 do not result in any impact on profit or loss.

International Financial Reporting Standard 13 (IFRS 13) on 'Fair Value Measurement' - The standard aims to improve consistency and reduce complexity by providing a more precise definition and a single source of measurement of fair valuation of certain assets and liabilities and the related disclosure requirements. This standard has no effect on the company's financial statements.

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. As the company does not have material offsetting arrangements, these amendments do not have a material impact on the financial statements.

1. **Significant accounting policies (continued)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2015 or 1 April 2016 and not adopted in advance of the effective date.

Amendments to IAS 36, Disclosure of recoverable amounts of non financial assets, IAS 39, Novation of derivatives and IFRIC 21, Levies are not effective until annual periods beggining on or after 1 April 2016, with retrospective application permissible.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two principal measurement categories: those measured as at fair value and those measured at amortised cost. IFRS 9 also now includes provisions for hedge accounting. The company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 for the financial statements for the year ending 31 March 2018.

b) **Key sources of estimation uncertainty**
In the application of the accounting policies, the directors are required to make judgments, estimates and assumptions about the recognition of revenue and costs and carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively

The directors have made the following significant accounting estimates and assumptions:

- Impairment of trade receivables - the company reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

- Useful lives of property and equipment - Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

c) **Revenue recognition**
Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business and is stated net of Value Added Tax (VAT), and discounts. rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the company's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

1. **Significant accounting policies (continued)**

d) **Property and equipment**

All property and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation on assets is calculated on the reducing balance basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Furniture and fittings	12.50
Computer equipment	30.00
Software	20.00
Goodwill	10.00

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

e) **Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the reducing balance basis method to write down the cost of each asset using an annual rate of 20%.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

f) **Financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets at initial recognition.

1. **Significant accounting policies (continued)**

f) **Financial instruments (continued)**

- ***Financial assets***

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The company's financial assets fall into the following categories for subsequent measurement:

- Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the statement of comprehensive income under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated as the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Subsequent recoveries of amounts previously written off/impaired are credited to profit or loss/other comprehensive income in the year in which they occur.

Cash in hand and balances with financial institutions, trade and other receivables and tax recoverable are classified as loans and receivables and are carried at amortised cost.

- ***Financial liabilities***

  - Financial liabilities measured at amortised cost : These include borrowings, current tax and trade and other payables. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.
  - Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.
  - All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.
  - Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

1. **Significant accounting policies (continued)**

g) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the direct purchase value and all costs attributable to bringing the inventory to its current location and condition and is stated on a first-in first-out (FIFO) basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expenses.

h) **Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

i) **Share capital**

Ordinary shares are classified as equity.

j) **Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss.

Current tax
Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax
Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

k) **Retirement benefit obligations**

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate. The company has no further obligation once the contributions have been paid.

l) **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation 'in the current year.

NOTES TO THE AUDITOR'S REPORT

	2018	2017
2. Revenue	Shs	Shs
Revenue from sale of goods	18,153,863	46,800,397

3. Other loss		
Loss on stocks	30,377,394	-
Loss on assets	24,691,946	-
	55,069,340	-

The loss on stocks and assets was as result of confiscation of three branch's assets and stocks by the respective landlords for non payment of rent in the current year. We have also confirmed that one more branch has also been confiscated by the landlord with all the stocks and assets and only one branch is operational as at the time of our audit.

4. Operating profit		
Depreciation on property, plant and equipment (Note 10)	1,238,310	5,012,157
Auditors' remuneration	150,000	60,000
Operating lease rentals	19,327,973	19,191,636

5. Staff costs		
Salaries and wages	5,488,534	7,381,003
Other staff costs	340,057	412,113
	5,828,591	7,793,116

6. Finance costs		
Loan interest	-	2,662,608
Bank overdraft interest	377,692	852,533
Amortisation of Goodwill	840,537	933,930
	1,218,229	4,449,071

Amortisation is considered for 10 years of 10% of the goodwill paid.

7. Tax		
Current tax	-	-
Deferred tax	-	-
	-	-

Income tax is calculated at 25 per cent (2017: 25 per cent) of the assessable profit for the year.

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

Profit before tax	-	-
Tax calculated at a tax rate of 25%	-	-
Tax effect of:		
- expenses not deductible for tax purposes	-	-
	-	-

Deferred tax

The company has not recognised deferred tax assets for the year because, on the basis of past years and future expectations, management considers it is not probable that taxable profits will be available against which the future income tax deductions can be utilised.

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

8. **Share capital**	**No. of ordinary shares issued**	**Issued and fully paid up capital**	**Share premium**
		Shs	**Shs**
At 1st April 2017 and 31st Mar 2018	23,600,000	23,600,000	22,400,000
At 31st March 2018	23,600,000	23,600,000	22,400,000

* The total number of authorised ordinary shares is : 23,600,000 (2017 Mar 31st) with a par value of Shs. 1 each. The share premium account, which represents the excess of the price paid for shares over the par value, is not distributed.

9. **Borrowings**	**2018**	**2017**
The borrowings are made up as follows:	**Shs**	**Shs**
Non-current		
Bank loans	64,882,195	64,882,196
Loan against Convertible Debt	10,000,000	-
	74,882,195	64,882,196
Current		
Bank loans		
Bank overdraft	14,654,328	14,912,573
Total borrowings	89,536,523	79,794,768

The bank loan facilities are secured by the following:

a) Legal charge over directors apartment No. H1 on LR no. 1870/II/286 on General Mathenge Road, Nairobi.
b) Corporate guarantee of M/s Swasthika Investors Limited.
c) Debenture charge to be created over entire assets of the company.
d) Guarantees given by related parties.

Loan from shareholders is unsecured.

Weighted average effective interest rates was at bank base rate plus 1.5% p.a, 18% at current base rate of 16% p.a with monthly rest.

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant. The fair values are based on cashflows discounted using the weighted average rates mentioned above.

It is impracticable to assign fair values to the company's long-term liabilities due to inability to forecast interest rate and foreign exchange rate changes.

The carrying amounts of the company's borrowings are denominated in the following currencies:

	2018	**2017**
	Shs	**Shs**
Kenya Shillings	89,536,523	79,027,511
United States Dollar	-	767,257
	89,536,523	79,794,768

10. Property and equipment

Year ended 31 March 2018

	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost or Valuation			
At start of year	42,518,834	1,334,407	43,853,241
Additions	-	65,000	65,000
Loss on assets	(30,922,110)	(298,286)	(31,220,396)
At end of year	11,596,724	1,101,121	12,697,845
Depreciation			
At start of year	9,525,771	597,500	10,123,271
Loss of assets	(6,458,175)	(70,276)	(6,528,451)
Charge for the year	1,066,141	172,169	1,238,310
At end of year	4,133,737	699,393	4,833,130
Net book value	7,462,987	401,728	7,864,715

Year ended 31 March 2017

	Furniture and fittings Shs	Computer equipment Shs	Total Shs
Cost			
At start of year	26,962,800	994,245	27,957,045
Additions	22,241	71,621	93,862
Revaluation of Assets	15,533,793	268,541	15,802,334
At end of year	42,518,834	1,334,407	43,853,241
Depreciation			
At start of year	4,812,742	298,373	5,111,115
Charge for the year	4,713,030	299,127	5,012,157
At end of year	9,525,771	597,500	10,123,271
Net book value	32,993,063	736,906	33,729,970

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

11. Intangible assets - software

	2018 Shs	2017 Shs
Cost		
At start of year	1,110,260	1,110,260
At end of year	1,110,260	1,110,260
Accumulated amortisation		
At start of year	708,942	608,612
Amortisation for the year	80,264	100,330
At end of year	789,206	708,942
Carrying amount	321,054	401,318
Goodwill		
Goodwill	11,530,000	11,530,000
At end of year	11,530,000	11,530,000
Accumulated amortisation		
At start of year	3,124,630	2,190,700
Amortisation for the year	840,537	933,930
	3,965,167	3,124,630
Carrying amount	7,564,833	8,405,370
Total Intangible assets	**7,885,887**	**8,806,688**

12. Inventories

	2018 Shs	2017 Shs
Inventories	49,580,744	76,659,120

13. Trade and other receivables

	2018 Shs	2017 Shs
Current		
Trade debtors, prepayments and deposits	20,505,703	30,617,852
	20,505,703	30,617,852

31st March 2018	**Fully performing Shs**	**Past due but not impaired Shs**	**Total Shs**
Trade receivables	6,041	14,777,518	14,783,559
Other receivables	1,314,157	4,407,987	5,722,144
	1,320,198	19,185,505	20,505,703

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

The directors are of the opinion that the company's exposure is limited because the amounts are recoverable.

All trade and other receivables are denominated in Kenya Shillings.

14. Cash and cash equivalents

	2018 Shs	2017 Shs
Cash at bank and in hand	138,526	(6,099,990)

For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	2018 Shs	2017 Shs
Cash at bank and in hand	138,526	(6,099,990)
Bank overdraft (Note 9)	(14,654,328)	(14,912,573)
	(14,515,802)	(21,012,563)

All cash at bank and in hand balances are denominated in Kenya Shillings.

15. Trade and other payables

	2018 Shs	2017 Shs
Current		
Trade payables	24,571,341	15,685,299
Accrued expenses and other payables	1,512,313	1,342,358
	26,083,654	17,027,658

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amounts of the company's trade and other payables are denominated in Kenya shillings.

The maturity analysis of the company's trade and other payables is as follows:

Year ended 31 March 2018

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	4,587,261	4,958,439	15,025,641	24,571,341
Accruals	388,450	673,963	449,900	1,512,313
	4,975,711	5,632,401	15,475,541	26,083,654

Year ended 31 March 2017

	0 to 1 month Shs	2 to 3 months Shs	4 to 12 months Shs	Total Shs
Trade payables	5,145,807	7,813,339	2,726,153	15,685,299
Accruals	1,067,879	274,479	-	1,342,358
	6,213,686	8,087,818	2,726,153	17,027,657

16. Cash from operations

Reconciliation of profit before tax to cash from operations:	2018 Shs	2017 Shs
Loss before tax	(76,535,814)	(32,848,016)
Adjustments for:		
Depreciation on property, plant and equipment (Note 10)	1,238,310	5,012,157
Amortisation of intangible assets (Note 11)	80,264	100,330
Interest expense & Amortaisation on Goodwill	1,218,229	4,449,071
Loss on assets	24,691,946	-
Changes in working capital		
- inventories	27,078,376	4,865,501
- trade and other receivables	10,112,146	(6,051,879)
- trade and other payables	9,055,996	3,438,343
Cash used in operations	(3,060,547)	(21,034,493)

17. Risk management objectives and policies

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies and evaluates financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk.

(a) **Market risk**
- *Interest rate risk*

The company's exposure to interest rate risk arises from non-current borrowings/current borrowings. Financial assets and liabilities obtained at different rates expose the company to interest rate risk.

At 31 March 2018, if interest rates at that date had been 100 basis points higher with all other variables held constant, arising mainly as a result of higher interest expense on variable borrowings.

(b) **Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting year, and management does not expect any losses from non-performance by these counterparties.

None of the financial assets that are fully performing have been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

(c) **Liquidity risk**

Cash flow forecasting is performed by the finance department of the company by monitoring the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

17. Risk management objectives and policies (continued)

Financial risk management (continued)

(c) **Liquidity risk (continued)**

Notes 9 and 15 disclose the maturity analysis of borrowings and trade and other payables respectively.

The following table details the company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay.

18. Capital management

Internally imposed capital requirements

- to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- to comply with the capital requirements set out by the company's bankers;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong asset base to support the development of business.
- to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of

The gearing ratios at 31 March 2018 & 31 March 2017 were as follows:

	2018 Shs	2017 Shs
Total borrowings (Note 9)	89,536,523	79,794,768
Less cash and cash equivalents (Note 14)	(138,526)	6,099,990
Net debt	89,397,997	85,894,758
Total equity	(47,342,562)	29,193,252
	42,055,435	115,088,010
Gearing ratio	1:2	1:3

NOTES TO THE AUDITOR'S REPORT (CONTINUED)

19. Earnings Per Share

Basic Earnings Per Share

The Basic earnings per share is calculated by dividing the net profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Profit attributable to ordinary shares		
Net loss for the year	(76,535,814)	(32,848,016)
Net loss attributable to ordinary shareholders	(76,535,814)	(32,848,016)
Weighted average number of ordinary shares outstanding	23,600,000	23,600,000
Basic earnings per share (Shs)	(3.2)	(1.4)

20. Incorporation

Nairobi Business Ventures Limited is incorporated in Kenya under the Companies Act as a Public Limited liability company and is domiciled in Kenya.

The company's Securities are listed by the Capital Markets Authorty under the Growth Enterprise Market Segment(GEMS)

21. Presentation currency

The financial statements are presented in Kenya Shillings (Shs).

SCHEDULE OF EXPENDITURE

	2018 Shs	2017 Shs
1. ADMINISTRATIVE EXPENSES		
Employment:		
Salaries and wages	5,488,534	7,381,003
Staff welfare	340,057	412,113
Total employment costs	5,828,591	7,793,116
ADMINISTRATIVE EXPENSES		
Other administrative expenses:		
Postages and telephones	221,867	401,121
Entertainment and travelling	321,730	744,552
Printing and stationery	74,277	412,926
Audit fees	150,000	60,000
Legal and professional fees	1,255,650	2,442,650
Advertisement and promotion	285,763	1,296,922
Bank charges and commissions	374,921	787,267
Computer expenses	83,300	145,048
Total other administrative expenses	2,767,508	6,290,486
Total administrative expenses	8,596,099	14,083,602
2. OTHER OPERATING EXPENSES		
Establishment:		
Rent	19,327,973	19,191,636
Electricity and water	294,476	1,104,151
Insurance	82,955	354,256
Security	846,306	1,393,222
Licences	140,105	198,552
Repairs and maintanance	399,782	752,635
Depreciation on property and equipment	1,238,310	5,012,157
Amortisation of intangible assetes	80,264	100,330
Total other operating expenses	22,410,171	28,106,940
3. FINANCE COSTS		
Loan interest	-	2,662,608
Bank overdraft interest	377,692	852,533
Amortisation of Goodwill	840,537	933,930
Total finance costs	1,218,229	4,449,071